

# Contract Matters

*Contracts are the lifeblood of stakeholders who depend on water provided by the Central Valley Project. The following pages contain descriptions of contract matters important to both stakeholders and the Mid-Pacific Region that occurred during 2002.*



*Sugar Pine Dam and Reservoir*

## Central California Area Office Title Transfers

The Central California Area Office has two Title Transfers authorized. The Sly Park Unit of the American River Division is operated and managed by and for the benefit of the El Dorado Irrigation District (EID). Section 212 of PL 106-377 authorized the transfer of this Unit. Reclamation and EID are negotiating a Memorandum of Agreement to define the roles and responsibilities of the parties in the Title Transfer Process. The negotiations on a cost-share agreement for the transfer of the Sly Park Unit to the EID are also under way. Transfer of the Sly Park Unit is expected to be complete by the end of 2004.

The Central Valley Project's Sugar Pine Dam and Reservoir, a Sub-Unit of the Auburn-Folsom South Unit's American River Division, is operated and managed by and for the benefit of the Foresthill Public Utility District (District). Section 501 of Public Law 106-566, passed by Congress and signed into law by the President in late 2000, authorized the transfer of this Sub-Unit.

Reclamation, the U.S. Forest Service, and the District have negotiated the method of Title Transfer, and the District has hired a consulting firm to prepare the necessary environmental documentation for the transfer. Reclamation has acquired the necessary realty documents and is preparing the property description for the quitclaim deed and relinquishment of withdrawn lands. Transfer is expected by mid-2003.

For additional information, contact the Central California Area Office at 916-988-1707 (TDD 916-989-7285).

## Humboldt Project Title Transfer

The Lahontan Basin Area Office has been working with the Pershing County Water Conservation District (District) and other interested parties to transfer title of the Humboldt Project to the District. The proposed transfer has many public benefits, including allowing the District to own and manage the Project facilities without Federal oversight.

In addition, land will be transferred to Lander County for county facilities and public access to the Humboldt River; the Derby Airfield will be transferred to Pershing County; and land for wetlands and recreational purposes will be transferred to the State of Nevada.

The District has also committed to provide a permanent pool in Rye Patch Reservoir to benefit fish. In 2002, Congress enacted a law setting forth the criteria by which transfer of title to the District, Lander County, Pershing County, and the State of Nevada may occur.

For additional information, contact the Lahontan Basin Area Office at 775-882-3436 (TDD 775-882-3436).

## Long-Term Contract Renewals

The Mid-Pacific Region has completed negotiations for the long-term renewal of 52 of the 113 existing CVP water service contracts, and has executed 27 of these contracts. These contracts will provide for continued water service to 26 Friant Division, two Hidden and Buchanan Unit, 14 Delta-Mendota Canal, and eight Cross Valley contractors, and to the Feather Water District and the City of Roseville.

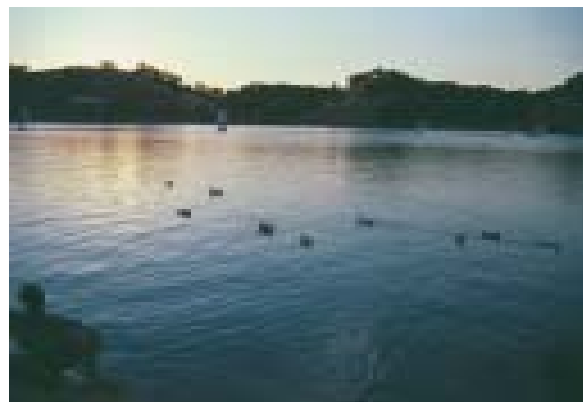
The proposed contracts were made available for a 60-day public review and comment period. Reclamation completed the required site-specific documentation and Section 7 consultations for 25 Friant Division and the Hidden and Buchanan Unit contracts. These contracts were executed in mid-January 2001.

Execution of the other negotiated contracts is awaiting completion of required environmental documentation. Negotiations with the Tehama-Colusa Canal, Shasta Division, San Luis Division, American River, and various municipal and industrial water contractors including the Contra Costa Water District, have been on hold since Fall 2001 pending receipt of a revised approval memorandum addressing issues raised by the contractors relative to the negotiated CVP-wide form of contract.

The Region plans to complete negotiations of the revised approval memorandum within 6 months of receipt and execute these contracts after appropriate environmental documentation, including new Operating Criteria and Procedures (OCAP), is completed. The OCAP will not be completed until Fall 2003, and the National Marine Fisheries Service (NMFS) will not issue any further Biological Opinions until the OCAP is complete.

The negotiations include a maximum annual water delivery of 7.6 million acre-feet of agricultural and Municipal and Industrial water.

For additional information, contact the Division of Resources Management at 916-978-5200 (TDD 916-978-5608).



*Negotiations are on hold with American River and other water contractors pending a revised approval memorandum.*

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## M&I Water Shortage Policy

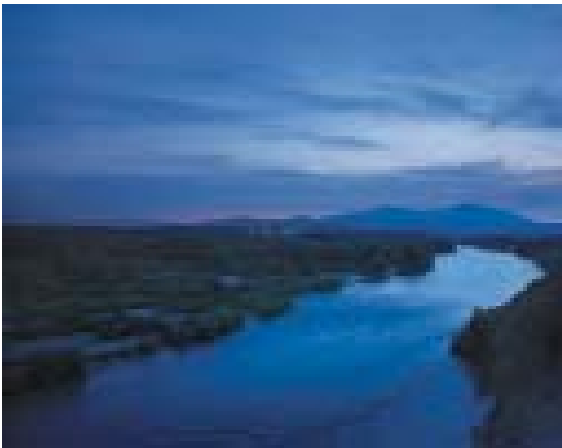
The CVP has more than 250 water service contracts (including the Sacramento River Water Settlement Contracts). The water shortage provisions in these contracts vary, and potential inequities could exist when CVP water is allocated using the various shortage provisions.

Since December 1991, Reclamation has held many meetings and workshops with the CVP water users and the public to develop a CVP-wide Municipal and Industrial (M&I) Water Shortage Policy that will provide a minimum level of water supply to M&I contractors. A draft M&I Water Shortage Policy was released to the public on February 17, 1994, for review and comment. The Central Valley Project Improvement Act Administrative Proposal for Urban Water Supply Reliability, dated June 9, 1997, addressed several of the major issues regarding the 1994 draft M&I Water Shortage Policy and supported the development and adoption of a final M&I Water Shortage Policy.

By Federal Register notice dated October 30, 2001, Reclamation released a draft M&I Water Shortage Policy, dated September 11, 2001, for public review and comment. A significant number of comments were received during the 30-day review period, and are being considered by Reclamation in the development of the final policy.

Modeling studies will be used by Reclamation to assess the impacts of the proposed policy and the necessary environmental documentation will be prepared. The final M&I Water Shortage Policy is scheduled to be issued by December 2003.

For additional information, contact the Division of Resources Management at 916-978-5200 (TDD 916-978-5608).



*The Sacramento River at dusk*

### Sacramento River Contract Renewal Process

Some 145 Sacramento River contracts expire on March 31, 2004. Of these, 16 are with districts and 129 are with individual diverters on the Sacramento River. These Sacramento River Settlement contracts are for 2.2 million acre-feet of water. Approximately 1.8 million acre-feet is classified as base supply water (water that these contractors can divert free of charge) and approximately 380,000 acre-feet is Central Valley Project (Project) Water (water for which the contractors must pay the United States). Twenty Sacramento River Settlement Contractors (primarily districts) control approximately 95 percent of the water under the contract.

Reclamation initiated negotiations on the so-called "long form" of contract with the Settlement Contractors on May 1, 2002. Seven sessions have been held since then. The parties have reached resolution on issues such as the amount paid in advance for Project Water, payment for rescheduling of deliveries, and Reclamation approval for transfers.

The last outstanding issue is the proper course of action should the California State Water Resources Control Board change water quality requirements for the Bay-Delta. Negotiations on the long form of contract are expected to be complete by mid-2003.

The short form of contract will be negotiated once the long form is finalized; since these contracts share many of the same provisions, these negotiations should

be complete by the end of 2003. Environmental documentation for renewals of these contracts is expected to be complete before the current contracts expire.

For additional information, contact the Division of Resources Management at 916-978-5200 (TDD 916-978-5608).

## Sacramento Contractors Ongoing Reconstructing Effort (SCORE)

As a result of litigation involving certain Sacramento River Settlement Contractors, a settlement was reached in January 1996. Part of the settlement involved a “Memorandum of Understanding Between Named Sacramento River Settlement Contractors and the United States of America for the Preparation of Data in Aid of the Renewal of Settlement Contracts” (Contract Renewal MOU).

The Contract Renewal MOU identified four major types of data or documents that were to be prepared as an aid in contract renewal negotiations. These four components represent the framework of the SCORE program that is seeking to build an agreeable platform from which future contract negotiations with the Sacramento River Settlement Contractors can be reached.

The four components of the Contract Renewal MOU are:

- The Update and Extension of the 1956 Cooperative Study (1956 Study Update): The 1956 Study Update was completed in draft on December 20, 2000. On October 15, 2001, Reclamation provided a briefing on the draft 1956 Study Update. As a result of the contractors’ comments, revisions will be made to the model and the report. Reclamation is currently analyzing the model results based on hydrology, current and historic uses, etc.
- A Basin-Wide Water Management Plan (BWMP) for the Sacramento River: The BWMP is in draft form and includes ten technical memos. Technical memos 2 through 5 are in final draft form, and technical memo 6 is in draft form. Reclamation is in the process of reviewing the BWMP and attempting to resolve several outstanding issues, including water measurement, water rights, and the water conservation criteria.
- Contracting Principles: An initial draft of Contracting Principles is under internal review. Simple contracting principles were discussed at the first negotiation meeting in May 2002. Negotiations were continuous throughout 2002 and there are only several issues remaining.
- Environmental Documentation: Scoping for the environmental documentation for the contract renewal has been accomplished; the report is nearing completion.

For additional information, contact the Division of Resources Management at 916-978-5200 (TDD 916-978-5608).

## Water Fact

The Central Valley Project was originally proposed by the California State Legislature in 1933. In 1937, the Bureau of Reclamation took over the CVP.

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